



SUCCESS

SUCCESS UNIVERSE GROUP LIMITED

實德環球有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 00487)

Terms of Reference for Audit Committee

Constitution

1. The board of directors (the “Board”) of Success Universe Group Limited (the “Company”) resolved to establish a committee of the Board to be known as the Audit Committee.

Objective and Role

2. The Audit Committee is responsible for ensuring the objectivity and credibility of financial reporting, and that in presenting results to the shareholders, the directors of the Company (“Director(s)”) have exercised the care, diligence and skills prescribed by law.
3. The Audit Committee is responsible for ensuring that an effective system of internal controls of the Company is in place.
4. The Audit Committee is responsible for maintaining an appropriate relationship with the external auditor of the Company.
5. The Audit Committee is responsible for ensuring that the Company maintains good corporate governance standard and procedures.

Membership

6. The Audit Committee members shall be appointed by the Board from amongst the non-executive Directors and must consist of not less than three members. The majority of the Audit Committee members must be independent non-executive Directors (“INED(s)”), at least one of whom with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).
7. The chairman of the Audit Committee shall be appointed by the Board and must be an INED.
8. A former partner of the Company’s existing auditing firm shall be prohibited from acting as a member of the Audit Committee for a period of 1 year from the date of his/her ceasing:
 - (a) to be a partner of the firm; or
 - (b) to have any financial interest in the firm,whichever is later.

Secretary

9. The company secretary of the Company shall be the secretary of the Audit Committee.

Meetings

10. Audit Committee meetings shall be held not less than twice a year and at such other times as the Audit Committee determines appropriate. The external auditor may request a meeting if it considers such meeting is necessary.
11. The quorum for a meeting of the Audit Committee shall be two members.
12. The financial controller of the Company and a representative of the external auditor shall normally attend meetings. The Audit Committee shall meet with the external auditor without executive Directors present at least twice a year and may invite any appropriate person to attend the meeting.
13. The members of the Board shall have the right of attendance.
14. The meetings and proceedings of the Audit Committee shall be governed by bye-law 121 of the Bye-laws of the Company.
15. Full minutes of the Audit Committee meetings shall be kept by the secretary of the Audit Committee.

Authority

16. The Audit Committee is authorized by the Board to investigate any activity within these Terms of Reference. It is authorized to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Audit Committee.
17. The Audit Committee is authorized by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.
18. The Audit Committee shall be provided with sufficient resources to perform its duties.

Duties

19. The Audit Committee shall have the following duties:-
 - I. Relationship with the Company's auditor*
 - (a) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
 - (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;
 - (c) to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee shall report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

- (d) to act as the key representative body for overseeing the Company's relations with the external auditor;

II. Review of the Company's financial information

- (e) to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the Audit Committee shall focus particularly on:-
 - (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments resulting from audit;
 - (iv) the going concern assumptions and any qualifications;
 - (v) compliance with accounting standards; and
 - (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;
- (f) Regarding (e) above:-
 - (i) members of the Audit Committee shall liaise with the Board and senior management of the Company ("Senior Management") and the Audit Committee must meet, at least twice a year, with the Company's auditor; and
 - (ii) the Audit Committee shall consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it shall give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditor;

III. Oversight of the Company's financial reporting system and internal control procedures

- (g) to review the financial controls, internal control and risk management systems of the Company;
- (h) to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. This discussion shall include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- (i) to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- (j) where an internal audit function exists, to ensure co-ordination between the internal and external auditor, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- (k) to review the financial and accounting policies and practices of the Company and its subsidiaries;
- (l) to review the external auditor's management letter, any material queries raised by the auditor to management about the accounting records, financial accounts or systems of control and management's response;

- (m) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (n) to report to the Board on the matters in paragraph 19 of these Terms of Reference;
- (o) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee shall ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (p) to consider other topics, as defined by the Board;

IV. Performing corporate governance functions

- (q) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- (r) to review and monitor the training and continuous professional development of Directors and Senior Management;
- (s) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (t) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- (u) to review the Company's compliance with the code and disclosure in the Corporate Governance Report.

Reporting procedures

- 20. The Audit Committee shall report to the Board on any decision and recommendation made by it, either orally or in writing, at the subsequent regular meeting of the Board or at other times or occasions where necessary.
- 21. The secretary of the Audit Committee shall send the draft and final versions of minutes of meetings to all the Audit Committee members for their comment and records.
- 22. The secretary of the Audit Committee shall circulate the minutes of meetings and reports of the Audit Committee to all members of the Board.

Revision of Terms of Reference

- 23. These Terms of Reference shall be reviewed and, when necessary, can be revised by the Board from time to time.

Notes

"Senior Management" should refer to the same category of persons as referred to in the Company's annual report and is required to be disclosed under paragraph 12 of Appendix 16 of the Listing Rules.

In the event of any inconsistency, the English text of these terms of reference shall prevail over the Chinese text thereof.

Revised on 30 March 2012